



# Arizona Department of Transportation

## Office of the Director

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Janice K. Brewer  
Governor

John S. Halikowski  
Director

October 23, 2009

John A. Bogert  
Chief of Operations

John McGee  
Executive Director  
for Planning & Policy

Eileen Klein  
Chief of Staff  
Governor's Office  
1700 W. Washington  
Phoenix, AZ 85007

Dear Ms. Klein:

The Arizona Department of Transportation (ADOT) has prepared the following in response to your request for the impacts of a 15% reduction to the agency's FY2010 budget.

ADOT's FY2010 spending plan is already significantly below the authorized appropriation of \$398 million because of revenue declines and transfers from the Highway User Revenue Fund (HURF) and State Highway Fund (SHF). ADOT has already implemented strategies to reduce SHF expenditures by 20% for FY2010. Consequently, an additional 15% reduction (\$60 million) on top of the reductions already taken equates to a decrease of 35% from the FY2010 appropriation:

	<u>Millions</u>	<u>Percent</u>
Legislative operating appropriation	\$398M	100
Current ADOT spending plan (reflects revenue conditions as of 7/1/09)	\$320M	80
Revised spending plan due to proposed \$60M reduction	\$260M	65

Also, the 15% reduction, when applied to the unspent balance of the current spending plan, equates to a 30% as indicated below:

Current ADOT spending plan	\$320M
YTD expenditures	<u>(\$118M)</u>
Remaining available balance	\$202M
Proposed budget reduction	<u>(\$ 60M)</u>
Revised available balance	<u>\$142M</u>
% Reduction	30%

Eileen Klein  
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We believe achieving such a significant reduction in the remaining months of the fiscal year will require the termination of 50% to 60% of ADOT's active work force (2,000 - 2,400 employees) no later than January 1, 2010. Staffing cuts of this size are unprecedented, and if implemented, would be devastating to the Department, our employees and our customers. The following describes the anticipated impacts of such a reduction:

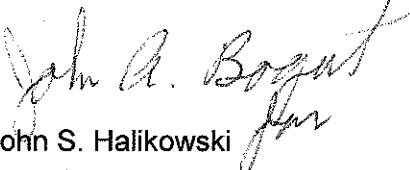
- Closure of all but a few key MVD field offices.
- Suspension of all rest area operations.
- Suspension of all highway maintenance activities except for emergency response and repairs.
- Suspension of all ports of entry activities except for international ports.
- Increased cycle times for snow plowing and additional road closures due to snow.
- Reduced revenue collections.
- Lost federal funding for roadway construction.

In addition, the Grand Canyon Airport, which is funded by user fees paid into the State Aviation Fund, will probably be downgraded to a general aviation airport. This new classification will limit hours of operations and size of allowable aircraft, severely impacting tour operations (and corresponding revenue) which represent 98% of the air traffic at the airport.

Proposed reductions to the Arizona Highways Magazine which is funded by subscribers, will reduce funding below the level needed to produce it. Either we will stop publishing the Magazine or ADOT will have to subsidize the cost of operations out of the State Highway Fund, which would exacerbate the shortfall in that fund resulting in additional layoffs.

It is our hope that none of the reduction strategies will need to be implemented. However, we also recognize our responsibility in ensuring that the most critical public needs are addressed even in these fiscally challenging times. I look forward to discussing the details of our fiscal situation with you and your staff at greater length during the coming days.

Sincerely,

  
John S. Halikowski

cc: Page Gonzales, Governor's Office  
Brandon Nee, OSPB